<u>Fact Sheet on Farm Ranch Equity Stewardship and Health FRESH Act of 2007</u>

The FRESH act introduced by Senators Lugar and Lautenberg, and co-sponsored by Senators Cardin and Hatch will provide a more effective safety net for all farmers – regardless of what they grow or where they farm. In particular, the FRESH act will replace Depression-era farm payment programs with the option of revenue insurance tools that are already popular with farmers, but for the first time with no out of pocket cost. Unlike current programs, this safety net protects against unforeseen risks, but does not provide automatic payments to farmers when they don't need them, and would not continue to distort domestic and foreign agricultural markets.

<u>Creating a more effective safety net for all farmers</u>

- **Provide commodity crop farmers with county-based revenue and yield insurance policies –** USDA would provide to farmers a true safety net <u>at no cost to the farmer.</u> Instead of the complicated mixture of price triggers, loan targets, and payments regardless of market conditions, an insurance policy against county-wide declines in revenue or yields of 15 percent or more would be employed. These are based on futures markets and the county's predicted yield, as determined by the USDA, based on historical yields. This county-based revenue protection provides an effective tool to mitigate the risks a farmer can't anticipate, such as droughts or floods, but does not continue to make payments when harvests and markets are strong.

- **Provide whole farm insurance coverage for specialty crop and other farmers –** For the majority of American farmers who are currently ineligible for U.S. farm programs, the bill would also provide a government-paid insurance policy that provides a payment when a farmer's revenue falls by 20 percent or more from his five year average. This comprehensive insurance tool will help farmers with income from livestock and dairy as well as fruits, vegetables and other specialty crops mitigate unforeseen risks. This tool will provide risk protection for <u>all American farmers</u> for the first time.

- **Creation of farmer-held accounts that help manage risk –** The FRESH act creates Risk Management Accounts that would be available to every farmer and rancher and would work in concert with crop and revenue insurance. Producers who are now eligible for Direct Payments would receive transition payments based on a phase down of direct payments, and any amount greater than $10,000 would be deposited into the accounts. Direct payments are not a "safety net" and are paid regardless of harvest or market conditions. Large payments go to a subset of the largest producers even in times of record profit. Producers could withdraw from their available Risk Management Account balance to supplement their income in years when their gross revenue falls below 95 percent of their rolling 5-year average gross revenue, to invest in a rural enterprise, to maintain solvency, purchase crop insurance, or on retirement. Farmers could also purchase supplemental insurance to cover the shallow losses not already covered by the county or farm based revenue plans provided for by the FRESH act.

- **Eliminate duplicative programs and control costs –** An expanded crop insurance safety net eliminates the need for the current counter-cyclical and marketing loan programs. A new recourse loan program would help farmers obtain capital to cover planting costs. The FRESH Act would also control crop insurance costs by adjusting insurance company underwriting gains and agent administrative fees to better reflect today's market of record crop prices.

<u>Expanding support for America’s farm, food, nutrition, and budget priorities</u>

The FRESH Act creates reforms to commodity programs and crop insurance that will serve more farmers more fairly and be responsive to regional and national crises that endanger the continuing success of America’s farmers. Over five years, these reforms create over $20 billion in additional savings that are available to invest in other farm and food priorities.

In particular, the FRESH Act would:

- **Expand support for specialty crop farmers who produce roughly half of the sales of American agriculture products**– Through creation of new transportation grants, specialty crop block grants, dedicated research funding, pest detection and response, and other programs, fruit and vegetable farmers and other farmers would receive unprecedented assistance to expand markets and improve farm products.

- **Improve diet and health –** The coming generation of Americans faces the grim prospect of living shorter lives than their parents, the first to do so in America’s history. The FRESH Act makes healthy, local foods, especially for children, a centerpiece of U.S. farm policy with a $3 billion investment in fruit and vegetable snacks, nutrition education, expansion of farmers markets and organic farming, and provision of more nutritious local foods in schools across the nation.

- **Invest in popular conservation programs –** Two out of three farmers and ranchers applying to partner with the government to create public benefits of cleaner water, clearer air, restored wetlands and wildlife are turned away because of inadequate funding. The FRESH Act will invest $6 billion to expand farmland and grassland protection, EQIP, CSP and other critical conservation programs.

- **Help more hungry Americans –** 35 million Americans including 12 million children face hunger. By bringing Food Stamp benefits more in line with actual food prices, updating asset rules to keep pace with inflation and other adjustments, the FRESH Act will ensure more Americans an adequate, nutritious diet. Nutrition programs will receive $4 billion in new funding.

- **Reduce the federal deficit –** At a time when farm income is breaking all previous records and commodity prices continue to soar, cosponsors of the FRESH Act believe it is important to return some savings to reduce the national budget deficit. The FRESH act not only fully pays for itself, but also reduces the deficit by $3 billion over 5 years.